

## **Program 160 – Office & Support Facilities**

*2005-07 Business Plan*

### **EXECUTIVE SUMMARY**

#### **Activity Description**

The business line's mission is to effectively house state government in over 3,700,000 square feet of office and support facilities owned and operated by GA in 6 counties. The business objective is to maintain consistent quality and stewardship standards, and to provide safe, efficient and cost effective facilities that allow state agencies to perform their essential program services. In addition, DFPM, in concert with GA's Division of State Services' (DSS) Real Estate Services Group, manages the statewide portfolio of leased and GA owned office facilities to more effectively house state agencies.

The Division of Facilities Planning and Management (DFPM) is responsible for the overall management of the physical and financial performance of this business. The division activities include facility planning and policy, asset management and capital program management. This division was created in August 2004 by realigning resources from two other divisions.

The Division of Capital Facilities (DCF) and (DSS) are responsible for maintenance and operations activities. They deliver day-to-day services to the building tenants and run the facilities. Facilities within Thurston County are operated by DCF and facilities in the remaining 5 counties are operated by DSS.

Office & Support Facilities has a biennial budget of \$50m and supports 160 FTEs for all GA-owned properties statewide. (This budget total includes \$26.9M of DCF costs for maintenance and operation activities.)

#### **Retrospective**

Until the recent reorganization, there has not been a centralized management approach for all business aspects of the GA owned office and support facilities. Also, the business management focus has been limited or lacking in some areas. Currently Capitol Campus rents are approximately 30% below market rate. Rents do not cover the full cost of business, including maintenance and operations, capital renewal and improvements and debt. This has resulted in an accumulative \$5 million cash deficit, reduced facility quality and service levels, an increase in vacancies and reduced customer satisfaction.

The quality of GA owned facilities do not effectively compete with privately owned facilities, both in physical condition and service levels. GA owned offices do not meet GA's quality and performance standards required of landlords of privately owned state offices. This is resulting in customers leaving GA owned facilities or lower customer satisfaction ratings. Approximately 30% of the GA owned office inventory is in need of significant rehabilitation. Rehabilitations have been deferred for as long as 20 years. A key cause for the deferral is that GA owned office facilities do not effectively compete for limited GO Bond funding.

In addition, rent revenue subsidizes two other facility business lines, Parking and Seat of Government (SOG). As part of the reorganization effort, costs are now being collected for each line of business. It has been determined that rent revenue which funded almost \$31m in capitol campus facility costs should only be funding about \$27m and that the remainder has really been subsidizing seat of government and parking facilities. We are proposing to realign these costs in the 05-07 biennium.

Related to state wide office space, there has been little coordination of the management of the complete inventory of state owned and leased office space. There is a need and opportunity to better manage this combined portfolio of state office space to improve the delivery of services to the public, support local government land use and transportation management goals and to reduce the cost to house state government. There is an opportunity to proactively manage state office space, which presents a significant cost benefit to state government.

### **Prospective**

The future success of this business line is dependent on GA demonstrating its ability to effectively manage facilities and the value of its owned office and support facilities. The following initiatives are required:

1. Improve business management – Establish business practices that ensure a positive financial position. Understand the cost of doing business, more effectively project business requirements and establish effective financial performance measures. Begin in FY 05 and continue through plan period.
2. Improve the quality of facilities and service levels – Establish quality and service level standards that are benchmarked to the industry, required to protect the state's investment in the asset and to ensure the needs of the tenants are met. Begin in 2005-07 and achieve standard by 2014.
3. Transition to a true fee-for-service rent – Ensure rent covers all costs, including maintenance and operations, utilities, capital renewal and improvements and debt. Maintain and update the Best Value goal for GA rents, current goal 15% less than the market rate. Begin in 2005-07 and re-evaluate through plan period.
4. Reduce subsidization of other business lines with rent revenues – Shift current Parking and SOG costs from the Office Business by reducing rent and increasing parking and SOG fees. Ensure only office revenues only pay for office facility costs. Tenants get what they pay for and pay for what they get. Begin in 2005-07 and re-evaluate through plan period.
5. Alternative financing for capital projects - Seek policy support by the Governor and Legislature for alternative financing for major rehabilitations of GA owned office buildings. Demonstrate an effective business approach to cash and debt management. Continue during the development of the Governor's 2005-15 10-year Capital Plan and the 2005 Legislative session.

GA is proposing that it take the lead in better managing the inventory of leased and GA owned office spaces. This initiative will:

1. Evaluate current leases and GA owned facilities to determine if they provide optimal benefit to the State. Determine if there are opportunities for improved housing solutions that co-locate or consolidate offices; improve public service, facility quality or access to technology, reduce costs or are more responsive to local community needs. Begin in 2005-07 and re-evaluate through plan period.

2. Develop a comprehensive plan for the leased and GA owned facilities to include projects or lease strategies to implement the plan. Begin in 2005-07 and re-evaluate through plan period.
3. Communicate with State agencies and local government to ensure plans meets their needs and includes their requirements. Begin in 2005-07 and re-evaluate through plan period.
4. Implement the plan through future lease transactions and space assignments at or the rehabilitation and development of GA owned facilities. Begin in 2007-09 and re-evaluate through plan period.

NOTE: This initiative will first focus on Thurston County in the 2005-07 biennium, and then be extended Statewide. In the future, this process can include office facilities owned by other State agencies.

	<b>Biennium</b>		
	<b>2005-07</b>	<b>2007-09</b>	<b>2009-11</b>
<b>Goal:</b>	Stewardship	Stewardship	Stewardship
<b>Objective:</b>	Develop a variety of financing methods to fund capital improvements, acquisitions, tenant improvements, or new developments.	Develop a variety of financing methods to fund capital improvements, acquisitions, tenant improvements, or new developments.	Develop a variety of financing methods to fund capital improvements, acquisitions, tenant improvements, or new developments.
<b>Strategies:</b>	<ol style="list-style-type: none"> <li>1. Provide financing options for office facilities that do not rely on GO Bonds.</li> <li>2. Request capital projects funded by rent, either cash or non-GO Bond debt serviced by rent</li> <li>3. Seek Governor's support</li> <li>4. Seek Legislative authorization</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide financing options for office facilities that do not rely on GO Bonds</li> <li>2. Request capital projects funded by rent, either cash or non-GO Bond debt serviced by rent</li> <li>3. .Seek Governor's support</li> <li>4. Seek Legislative authorization</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide financing options for office facilities that do not rely on GO Bonds.</li> <li>2 Request capital projects funded by rent, either cash or non-GO Bond debt serviced by rent</li> <li>3. Seek Governor's support</li> <li>4. Seek Legislative authorization</li> </ol>
<b>Performance Measures:</b>	Percent of projects funded by rent Percent of major capital projects financed by alternative methods	Percent of capital projects funded by rent Percent of major capital projects financed by non-GO Bond methods	Percent of capital projects funded by rent Percent of major capital projects financed by non-GO Bond methods

<b>Goal:</b>	Service and Stewardship	Service and Stewardship	Service and Stewardship
<b>Objective:</b>	Transition to a true fee-for service rent that will fully fund all costs to maintain, operate and renew the facility, and to service all debt associated with the building asset. Eliminate the subsidization of the Parking and SOG business lines.	Continue to monitor costs to ensure rent reflect a true cost of doing business. If new information identifies subsidization, make additional adjustments.	Continue to monitor costs to ensure rent reflect a true cost of doing business.
<b>Strategies:</b>	<ol style="list-style-type: none"> <li>1. Determine FY04 operating budget for each facility asset by 10/30/04.</li> <li>2. Complete business plans for each facility by 12/31/04.</li> <li>3. Develop leasing pricing model for each facility asset by 6/30/05.</li> <li>4. Communicate service level and rates with tenants March 2006.</li> <li>5. Develop new leases for implementation by June 2007.</li> </ol>	<ol style="list-style-type: none"> <li>1. Update business plans and lease rates each biennium.</li> <li>2. Benchmark GA rent rates to the private market annually.</li> <li>3. Communicate service level, rate and value with tenants each biennium.</li> <li>4. Maintain income statements and balance sheets for each facility</li> </ol>	<ol style="list-style-type: none"> <li>1. Update business plans and lease rates each biennium.</li> <li>2. Benchmark GA rent rates to the private market annually</li> <li>3. Communicate service level, rate and value with tenants each biennium.</li> <li>4. Maintain income statements and balance sheets for each facility</li> </ol>

	<b>2005-07</b>	<b>2007-09</b>	<b>2009-11</b>
<b>Performance Measures:</b>	Percent of rent subsidizing other business lines Percent GA rents are below market rates Percent of facilities with a healthy financial position	Percent of rent subsidizing other business lines Percent GA rents are below market rates Percent of facilities with a healthy financial position	Percent of rent subsidizing other business lines Percent GA rents are below market rates Percent of facilities with a healthy financial position
	Service & Stewardship	Service & Stewardship	Service & Stewardship
<b>Objective:</b>	Assure facility tenants that they can rely on consistent quality services from DFPM.	Assure facility tenants that they can rely on consistent quality services from DFPM.	Assure facility tenants that they can rely on consistent quality services from DFPM.
<b>Strategies:</b>	<ol style="list-style-type: none"> <li>1. Adopt quality standards for office space consistent with GA Lease Space Standards by 6/30/04.</li> <li>2. Prepare assessment of all facilities by 6/30/05.</li> <li>3. Perform one-third of needed assessments each biennium beginning in 2005-07.</li> <li>4. Develop capital improvement plan to bring GA-owned facilities to a uniform standard of quality by 6/30/06.</li> <li>5. Survey tenant satisfaction with quality of facilities and services each biennium.</li> </ol>	<ol style="list-style-type: none"> <li>1. Complete two-thirds of needed assessments.</li> <li>2. Complete 30% of the capital improvement plan to bring GA-owned facilities to GA standard.</li> <li>3. Survey tenant satisfaction with quality of facilities and services each biennium.</li> </ol>	<ol style="list-style-type: none"> <li>1. Complete two-thirds of needed assessments.</li> <li>2. Complete 65% of the capital improvement plan to bring GA-owned facilities to GA standard.</li> <li>3. Survey tenant satisfaction with quality of facilities and services each biennium.</li> </ol>
<b>Performance Measures:</b>	Percent of GA owned facilities that meet GA Lease Space Standards	Percent of GA owned facilities that meet GA Lease Space Standards	Percent of GA owned facilities that meet GA Lease Space Standards

<b>Goal:</b>	Stewardship	Stewardship	Stewardship
<b>Objective:</b>	Reduce the security vulnerability and risks at GA owned Office facilities	Reduce the security vulnerability and risks at GA owned Office facilities	Reduce the security vulnerability and risks at GA owned Office facilities
<b>Performance Measures:</b>	Security risk rating of GA owned Office facilities % of recommended security measures implemented	Security risk rating of GA owned Office facilities % of recommended security measures implemented	Security risk rating of GA owned Office facilities % of recommended security measures implemented

	2005-07	2007-09	2009-11
<b>Strategies:</b>	<ol style="list-style-type: none"> <li>1. Communicate and seek guidance from tenants on security needs.</li> <li>2. Update and implement the 2002 State Capitol Security Plan for Office facilities. Update security risk and vulnerability analysis each biennium.</li> <li>3. Implement 30% of recommended security measures</li> </ol>	<ol style="list-style-type: none"> <li>1. Communicate and seek guidance from tenants on security needs.</li> <li>2. Update and implement the 2002 State Capitol Security Plan for Office facilities. Update security risk and vulnerability analysis each biennium.</li> <li>3. Implement 45% of recommended security measures</li> </ol>	<ol style="list-style-type: none"> <li>1. Communicate and seek guidance from tenants on security needs.</li> <li>2. Update and implement the 2002 State Capitol Security Plan for Office facilities. Update security risk and vulnerability analysis each biennium.</li> <li>3. Implement 70% of recommended security measures.</li> <li>4. Implement 100% of recommended security measures by 2011-13.</li> </ol>
<b>Performance Measures:</b>	Security risk rating of GA owned Office facilities % of recommended security measures implemented	Security risk rating of GA owned Office facilities % of recommended security measures implemented	Security risk rating of GA owned Office facilities % of recommended security measures implemented
<b>Goal:</b>	Stewardship		
<b>Objective:</b>	Adopt 'green' building practices and LEED silver level of activity on new construction and large remodels.	Adopt 'green' building practices and LEED silver level of activity on new construction and large remodels.	Adopt 'green' building practices and LEED silver level of activity on new construction and large remodels.
<b>Strategies:</b>	<ol style="list-style-type: none"> <li>1. Develop prioritized list of opportunities for future capital projects that can adopt LEED Silver design standards by 7/30/04.</li> <li>2. Adopt sustainability practices in maintenance &amp; custodial services by 7/1/05.</li> <li>3. Upgrade 25% of system motors with energy efficient models by 6/30/07.</li> <li>4. Repair 40% of steam, water and storm leaks by 6/30/07.</li> <li>5. Install 40% of the electric and water usage meters to monitor energy by 6/30/07.</li> </ol>	<ol style="list-style-type: none"> <li>1. Update prioritized list of opportunities for future capital projects that can adopt LEED Silver design standards by 7/30/06.</li> <li>2. Upgrade 50% of system motors with energy efficient models by 6/30/09.</li> <li>3. Repair 80% of steam, water and storm leaks by 6/30/09.</li> <li>5. Install 80% of the electric and water usage meters to monitor energy by 6/30/09.</li> </ol>	<ol style="list-style-type: none"> <li>1. Update prioritized list of opportunities for future capital projects that can adopt LEED Silver design standards by 7/30/08.</li> <li>2. Upgrade 75% of system motors with energy efficient models by 6/30/11. (100% complete by 2013)</li> <li>3. Repair 100% of steam, water and storm leaks by 6/30/11.</li> <li>5. Install 100% of the electric and water usage meters to monitor energy by 6/30/11.</li> </ol>
<b>Performance Measures:</b>	Percent of energy monitoring system upgraded at Office facilities Percent of utilities repaired Percent of Office facilities that meet LEED Silver standards	Percent of energy monitoring system upgraded at Office facilities Percent of utilities repaired Percent of Office facilities that meet LEED Silver standards	Percent of energy monitoring system upgraded at Office facilities Percent of utilities repaired Percent of Office facilities that meet LEED Silver standards